

# **THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**

**February 21, 2007**

## **CONSIDERATION OF REQUEST TO TRANSFER UNUSED TAX-EXEMPT PRIVATE ACTIVITY BOND PROCEEDS (ACTION ITEM)**

(Agenda Item 7)

### **ACTION:**

Approve the transfer of unused tax-exempt private activity bond proceeds issued by the California Statewide Community Development Authority (CSCDA) for the Bayview Apartments Project (Application 06-179) to the All Hallows Apartments Project (Application 06-178).

### **BACKGROUND:**

On December 13, 2006, the California Debt Limit Allocation Committee adopted Resolution No. 06-169 awarding \$3,000,000 of the 2006 State Ceiling of Qualified Private Activity Bonds to the Bayview Apartments Project. On December 27, 2006, CSCDA issued bonds for the Bayview Apartments Project included in the issuance was the following projects; All Hallows, Bayview, LaSalle, and Shoreview Apartments. The bonds were issued as a pooled issuance in the aggregate amount of \$82,350,000. CSCDA is requesting a transfer of all unused bond proceeds in the amount of \$3,000,000 for the Bayview Apartments Project (Application 06-179) to the All Hallows Apartments Project (Application 06-178). According to the CDLAC resolution, bond proceeds can only be transferred to another project with the same issuer. CSCDA is the issuer for the Bayview Apartments Project and the All Hallows Apartments Project.

According to a legal opinion from Thomas A. Downey of Jones Hall, Bond Counsel for the transaction, the bond proceeds for Bayview Apartments have not been expended therefore tax law does not prevent a revised expenditure of bond proceeds. The final loan underwriting by Merrill Lynch resulted in an increase in the loan underwriting principal amount for the All Hallows Apartments of approximately \$3,000,000 and a decrease in the loan underwriting principal amount for the Bayview Apartments of approximately \$3,000,000.

This request to transfer bond proceeds in accordance with the terms of the resolution, and based on the representations provided by Bond Counsel in his January 23rd letter to the Committee (attached), provides the Committee with the authority to transfer \$3,000,000 in proceeds from the Bayview Apartment Project to the All Hallows Apartment Project. However, the Bond Counsel opinion stipulates that it does not address any tax issues that may or may not exist for this transfer of bonds.

### **RECOMMENDATION:**

Based on Bond Counsel opinion and concurrence by the Attorney General's Office Counsel, staff recommends that the Committee approve the transfer of unused bond proceeds from the Bayview Apartments Project to the All Hallows Apartments Project.

Staff Report prepared by Misti Armstrong.